

October 27, 2000

MAINE PUBLIC UTILITIES COMMISSION
Investigation into Bell Atlantic-Maine's
Alternative Form of Regulation

ORDER

I. INTRODUCTION

In this Order, we extend, until May 29, 2001, the expiration date of the Alternative Form of Regulation (AFOR) that is currently in place for Verizon Maine, and we establish the conditions under which the AFOR will be extended. We take this action under the provisions of 35-A M.R.S.A. § 9103(1), which gives the Commission the authority to set the term of the AFOR at no less than five years and no more than ten years. We plan to establish a new AFOR in this docket by that same date, for effect on May 30, 2001.

II. BACKGROUND

The Commission initiated this investigation of the Verizon AFOR on December 27, 1999, and issued a Further Notice of Investigation (FNOI) on June 26, 2000. In the FNOI, specific proposals were laid out and questions asked regarding the terms and conditions of a revised AFOR that would take effect on December 1, 2000. Comments on the proposed revised AFOR were filed on August 18, 2000, and reply comments were filed on September 20, 2000 by Verizon and on September 22, 2000 by the OPA.

III. DISCUSSION and CONCLUSIONS

In reviewing the comments provided by the parties, it has become clear that additional procedural steps, and accordingly, additional time are necessary to develop an appropriate record that is sufficient for the Commission to devise an effective and legally-acceptable AFOR mechanism for Verizon. The AFOR that we will establish in this docket will be in place for at least five years, and the proposal that was set out in the FNOI contains several items that have proven to be controversial among the parties. We find that extending both the termination date of the current AFOR and the date for establishing a new AFOR until May 29, 2001, will allow the parties and the Commission the additional time necessary to examine the many important issues involved in this case and will permit us to implement the results of several related dockets simultaneously or, if desirable, to incorporate the results of several related cases.

This proceeding is occurring just as several other equally important dockets are also in progress and moving toward a conclusion early in 2001. We believe it would be more efficient from a procedural and a policy standpoint to implement the results of

each of these dockets at approximately the same time. The cases involved are the following: 1) Docket number 97-505, the TELRIC case, whose purpose is to establish the standard prices that competitors will pay Verizon for the use of various parts of its network in order to provide competitive local and ancillary services; the results of the TELRIC docket may also provide information about the forward-looking economic cost of providing local exchange and related services; 2) a State Universal Service Fund docket, which will establish the theory and mechanism for determining the amount of funding available to eligible telecommunications carriers (ETCs) providing local service in various areas of Maine; 3) a filing by Verizon under Section 271 of the TelAct seeking Commission concurrence at the FCC for Verizon's attempt to enter the interlata long-distance market; and 4) a rulemaking to establish the service standards for local exchange carriers. By implementing the decisions made in each of these dockets contemporaneously, or in conjunction with the new AFOR, we will have provided the groundwork for increased local competition in Maine, which is a key principle supporting the proposed revised AFOR. In addition, starting the new AFOR on May 30, 2001 will coincide with the effective date of the next scheduled change in intrastate access charges, as required by 35-A M.R.S.A. § 7101-B.

Because we are extending the term of the current AFOR, the precise terms of the extension must be determined. First, we determine that Verizon should make its annual filing under the current AFOR mechanism. Under the terms of the current AFOR, that filing was due on September 1, 2000, with any required price changes to become effective on December 1, 2000. Based on the reasonable assumption that the AFOR would expire this year, Verizon did not make its annual filing. Because of the AFOR extension, however, the Company should make that filing by December 1, 2000, with an effective date of January 1, 2001, for any rate changes. We make this finding because the Company will retain all other benefits of the current AFOR mechanism, particularly its pricing flexibility and its ability to offer special contracts without prior Commission approval. Verizon should use the inflation data that is specified in the AFOR Orders, as it used the data in all previous annual filings. All other provisions of the current AFOR will remain in effect during the term of the AFOR extension.

The procedures that the Commission will follow in the investigation into a new AFOR will be established in a separate procedural order, which will be issued shortly. Extending the deadline for completion of the case will allow for additional discovery, for the filing of testimony if necessary, and for hearings and oral argument as needed. Extension of the AFOR deadline also will allow us additional time to receive input from interested persons who are not parties to the case.

Therefore, we

ORDER

1. That the current AFOR for Verizon Maine shall remain in effect until May 29, 2001, subject to further modification by the Commission.
2. That Verizon Maine shall make its annual filing as required by the terms of this Order on or before December 1, 2000, and any rate changes that must be made

because of the operation of the price cap mechanism contained in the AFOR shall be filed for effect on January 1, 2001.

Dated at Augusta, Maine, this 27th day of October, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.